Manitoba

ANNUAL REPORT

1983-1984

Communities Economic Development Fund

85-5053/

The symbol of the Communities Economic Development Fund, a view of Manitoba from the north, depicts the Provincial nature of this Crown Corporation and portrays the emphasis the Fund has on small business development in the remote and isolated areas of Manitoba.

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600-428 Portage Avenue,
Winnipeg, Manitoba
R3C 0E4

Honourable Harry Harapiak,
Minister Responsible for
Communities Economic Development Fund,
Room 333, Legislative Building,
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Harapiak:

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the Report for the fiscal year ended March 31st, 1984, and a Statement of the Communities Economic Development Fund's accounts for the year, signed and certified in the prescribed manner.

Respectfully submitted,

H.J. Jones,
General Manager

Annual Report 1983-1984

Directors and Officers:

Board of Directors

Mrs. Bernice O'Conner (Chairperson from March 7, 1984)	Churchill
Mr. William Bennett	Matheson Island
Ms. Barbara Bruce	Winnipeg
Mr. Paul Deprez (Resigned March 17, 1984)	Winnipeg
Mr. Eli Harper	Red Sucker Lake
Mr. Douglas Hastings	God's Lake Narrows
Ms. Elizabeth Isbister	Norway House
Mr. Bernard Wood (Chairperson to March 6, 1984)	Winnipeg

Officers

Mr. Hugh Jones	General Manager
Mr. Alec Musgrove	Assistant General Manager and Treasurer
Mr. Greg Goodwin	Secretary

General Manager's Review

The Fund in 1983-1984 continued to respond effectively to numerous facets of business activity in Northern Manitoba and to be an important factor in the economic and social development of the small isolated communities it was designed to serve.

Many, if not most, of the Fund's borrowers entered 1983 facing a severe general market collapse and serious financial restraints. Unfortunately, some were not able to overcome these obstacles. The great majority, however, survived either through great personal sacrifice on the part of the firms' owners and employees, through more aggressive and flexible business management or, in a great number of cases, through the special consideration and support provided by the Fund's staff of professional loan consultants. The consultants, over and above rescheduling loan arrangements, were able to bring valuable advice and assistance and even develop means to strengthen borrowers' operations and marketing programs.

The increased activity for the Fund over the year was itself a reflection of these depressed economic conditions which the northern communities shared with other Canadian locations. In total, 49 loan applications were approved, averaging $55,000. In the final tally, 34 loans totalling $2,080,595 were granted and 144 jobs were either created or preserved.

The year's results brought the Fund's total loans since its inception in 1972 to almost 450. During those 12 years, some $16 million have been extended to help create or preserve employment for over 1,500 Manitobans by supplementing conventional sources of financing for small businesses, in many cases, not eligible for conventional loans.

Despite the high risks involved in helping to develop enterprises in what is often a difficult environment, the Fund's loan repayment success ratio continues to be significantly high. However, as with other lending institutions, problem loans do occur on occasion. Fortunately, these are not such that they should be allowed to spoil the valuable aid provided to the serious borrowers. The fund will continue to exercise vigilance in the loan approval and administration process to ensure that problem loans remain at a minimum.

It would be apropos here to again underline the fact that the Fund's administration costs over any given year include not only the cost of attracting and processing new loans but also the important and even more time-consuming administrative and consultative services provided to all the still outstanding loans ever granted by the Fund.

The Fund continues to operate with a revolving capital base of just over $8,000,000 made available by the Province on a conditional grant basis. For that reason, the Board of Directors of C.E.D.F., by resolution and with the concurrence of the government, sets an interest rate policy.

Over the last number of years, the Fund's interest rate had been directly related to the rate the government sets periodically for its Crown Corporations. Early in 1984, the interest rate was set to relate directly to the Bank of Canada rate of the Thursday prior to the monthly meeting of the Board of Directors. This rate then becomes the fixed rate for the duration of the loan.

An important responsibility of the Fund's administrators and consultants is that of maintaining the Fund's visibility in the communities eligible for assistance and, to this end, promotional visits are arranged periodically.

I was fortunate in 1984 to be able to participate in two such community visits at The Pas and in Flin Flon. In both cases, not only did the open meetings allow prospective borrowers to learn about the Fund and its conditions but, and

perhaps more important, it allowed for the visiting Fund officials to find out first-hand about the needs and aspirations of northern residents.

The Fund's Board of Directors continue to meet at least on a monthly basis to consider loan proposals and to recommend policy initiatives to the Minister.

I would like to express my gratitude for the time and effort expended on C.E.D.F. matters by the Directors and, finally, these remarks provide me with a rare opportunity to publicly thank the C.E.D.F. staff for their unfailing support and co-operation in carrying out the Fund's objectives.

H.J. Jones,
General Manager

Fiscal Year	Applications Approved	Amount	Jobs Created and/or Retained
1972	19	$ 389,500	56
1973	82	1,349,750	125
1974	43	983,983	100
1975	16	731,910	73
1976	18	374,470	100
1977	38	704,658	108
1978	20	510,399	103
1979	20	556,459	92
1980	37	1,982,791	144
1981	34	1,180,740	120
1982	46	2,800,140	176
1983	31	2,138,275	138
1984	49	2,080,595	144
	453	$15,783,670	1,580

Communities Assisted By the Fund in 1983-1984

- *Berens River*, Pulp Cutting/Hauling
- *Churchill*, Airport Snack Bar
- *Cormorant*, Cabinet Manufacturing
- *Cranberry Portage*, Skidders
- *Garden Hill*, Restaurant/Bowling Alley
- *Grand Rapids*, Trout Farming
- *Herb Lake Landing*, Tourist Guest Home
- *Ilford*, Winter Roads Construction
- *Lynn Lake*, Native Handicrafts
- *Mallard*, Taxi
- *Manigotagan*, Skidders
- *Norway House*, Plumbing Contractor
- *Oxford*, Winter Roads Construction
- *Pikwitonei*, Forest Harvesting
- *Red Sucker Lake*, Confectionery
- *Scanterbury*, Building Supplies
- *Snow Lake*, Convenience Store
- *Swan River*, Skidders
- *The Pas*, Cleaning Services, Fertilizer Plant, Cube/Block Ice Supplier
- *Winnipegosis*, Wood Harvesting

Communities Economic Development Fund

Auditor's Report and Financial Statements for the year ended March 31, 1984

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

Communities Economic Development Fund
Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A and B and Schedule 1, of the Communities Economic Development Fund for the fiscal year ended March 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Communities Economic Development Fund as at March 31, 1984 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

W.K. Ziprick, C.A.,
Provincial Auditor.

August 14, 1984,
Winnipeg, Manitoba.

Exhibit A

Communities Economic Development Fund

Balance Sheet
as at March 31, 1984
(with 1983 figures for comparison)

Assets

	1984	1983
Cash	$ 90,458	$ 185,193
Short-term bank deposit receipts	—	100,000
Accounts receivable:		
Province of Manitoba	—	6,668
Manitoba Development Corporation (Note 1)	459,527	464,889
Other	5,604	4,175
	465,131	475,732
Loans receivable, less allowance for doubtful accounts (1984 — $1,044,400; 1983 — $887,500) (Notes 4 and 7)	3,416,243	3,006,882
Office furniture and equipment, at cost, less accumulated depreciation (1984 — $9,963; 1983 — $8,180)	21,931	2,445
	$3,993,763	$3,770,252

Liabilities

Accounts payable	$ 38,148	$ 51,687
Funds held in trust (Note 7)	40,392	53,342
Revolving Fund established by the Province of Manitoba for direct loans (Note 3 (a))	3,815,223	3,565,223
Grant received from the Province of Manitoba for loan guarantees (Note 3(b))	100,000	100,000
	$3,993,763	$3,770,252

Signed on Behalf of the Board

Bernice Connor DIRECTOR

Elizabeth Sobister DIRECTOR

Exhibit B

Communities Economic Development Fund

Statement of Income and Expense
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Income:		
Interest, loans	$ 453,055	$ 413,713
Interest, other	5,185	10,477
Miscellaneous	4,923	2,460
	463,163	426,650
Expense:		
General administrative, Schedule 1, (Note 6)	810,594	791,578
Provision for doubtful accounts on loans receivable (Note 4)	586,686	784,088
	1,397,280	1,575,666
Less: Administrative expenses recovered from the Province of Manitoba (Note 5)	161,000	161,000
Net Expense	1,236,280	1,414,666
Excess of expense over income	773,117	988,016
Less: Subsidy received or receivable from the Manitoba Development Corporation (Note 1)	773,117	988,016
	$ —	$ —

Schedule 1

Communities Economic Development Fund

Schedule of General Administrative Expenses (Note 6)
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Consultants' fees and expenses	$ 24,922	$ 68,792
Depreciation	2,368	1,062
Directors' fees and expenses	56,066	43,310
Legal and audit	21,461	16,230
Office supplies and expenses	71,693	63,884
Salaries and employee benefits	553,798	501,631
Sundry	14,579	17,223
Travel	65,707	79,446
General administrative expenses, Exhibit B	$ 810,594	$ 791,578

Communities Economic Development Fund

Notes to the Financial Statements
for the year ended March 31, 1984

1. *Nature of the Fund*

The Communities Economic Development Fund was established as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province. To carry out this objective it is not practical to pass on all of the Fund's costs to the users of its services. As a result the Fund depends to a certain extent on subsidized assistance.

The Manitoba Development Corporation provides the subsidy assistance required by the Fund to the extent of the Fund's excess of expense over income.

2. *Significant Accounting Policies*

(a) General

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, except for the accounting for pension costs as set out in (d) below.

(b) Allowance for doubtful accounts

The allowance for doubtful accounts regarding possible losses on outstanding loans is determined on an individual account basis.

(c) General administrative expenses (Schedule 1)

Certain of these expenses are subject to sharing with the Manitoba Development Corporation and other expenses have been provided at no charge to the Fund in accordance with the terms disclosed in Note 6.

(d) Pensions

The officers and employees of the Fund are not members of the Civil Service of the Government of Manitoba, but they contribute to and are pensionable under the Civil Service Superannuation Fund.

In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension disbursement made to retired employees. Such payments will be charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Fund's employees amounted to $178,251 as at December 31, 1983.

3. *Funds Authorized by the Province of Manitoba*

(a) Funds for direct loans

The Revolving Fund shown on the Balance Sheet was established on April 1, 1976 through an order of the Lieutenant Governor in Council which provided for the conversion of Province of Manitoba advances to conditional grants for direct loans. If at anytime the Revolving Fund should exceed the amount which the Government has provided by way of conditional grants, the excess amount shall be paid over to the Government, and if operations should cease the residue of the Revolving Fund shall be paid to the Government.

The change in the Revolving Fund during the year is as follows:

Balance, beginning of year	$ 3,565,223
Conditional grants received during the year	250,000
Balance, end of year	$ 3,815,223

The balance of available capital authority for direct loans amounted to $2,307,000 as at March 31, 1984.

(b) Funds for loan guarantees

Capital funds in the amount of $1,500,000 had been authorized by the Legislature to be advanced to the Fund for loan guarantees. As at April 1, 1976 the Government of the Province of Manitoba had advanced the Fund $100,000 of the authorized amount. Effective April 1, 1976, by an order of the Lieutenant Governor in Council, this advance was converted to a grant.

4. *Allowance for Doubtful Accounts*

The change in the allowance during the year is as follows:

Balance, beginning of year	$ 887,500
Provision during the year	586,686
	1,474,186
Less: Accounts written off	429,786
Balance, end of year	$1,044,400

5. *Administrative Recoveries*

Administrative expense recoveries, in respect of a client staff and C.E.D.F. staff training program providing small business and community enterprises with management training and assistance, amounting to $161,000 (1983 – $161,000) were provided from an appropriation of the Province of Manitoba established for this purpose.

6. *Administration of the Fund*

The Communities Economic Development Fund is jointly administered with the Manitoba Development Corporation. Common administrative expenses are paid by the Fund except for rent and utility costs which are paid by the Corporation.

7. *Funds Held in Trust*

During the year ended March 31, 1980, the Board approved $50,000 in interest free loans to provide for management assistance and working capital for entrepreneurial and community development in northern and remote communities. The interest free loans are subject to forgiveness depending on the economic viability of the borrowers' operations at a future date. If, in the future, repayment becomes impossible, the loans will then be converted to grants. Because of this possible future conversion, these funds received from the Province were not taken into income but placed in trust and are included in funds shown as held in trust on the Balance Sheet. Should the interest free loans become uncollectible, a conversion of the monies in trust will be applied on account of these loans. If the interest free loans are collected the amount in trust will be taken into income. During the year trust monies in the amount of $10,000 was applied on account of a loan. As at March 31, 1984 an amount of $40,000 is still being held in trust in respect to these interest free loans.

8. *Loan Commitments and Contingent Liabilities*

	1984	1983
(a) Loan commitments – undisbursed balance of approved loans	$ 944,756	$ 730,445
(b) Contingent liability – bank loan guarantee	100,000	100,000
(c) Contingent liability – Performance, material and labour bond	91,830	–
	$1,136,586	$ 830,445

(d) Contingent liability – subsequent to the year end, two statements of claim have been filed with the court, naming the Fund as defendant. The claims relate to certain real property which the Fund disposed of back in 1981. The claims are for damages and costs of an unspecified amount. The Fund is of the opinion that the claims are without merit.

Communities Economic Development Fund

Report of Assistance Granted or to be Granted
for the year ended March 31, 1984

Auditor's Report

The foregoing report has been prepared by officials of the Communities Economic Development Fund and checked by my representatives with the records of the Fund which have been audited by us. In our opinion this report reflects the assistance granted or committed to be granted by the Fund for the year ended March 31, 1984.

W.K. Ziprick, C.A.,
Provincial Auditor.

August 14, 1984,
Winnipeg, Manitoba.

Communities Economic Development Fund

Report of Assistance Granted or to be Granted for the year ended March 31, 1984

	Interest Rate	Term	Amount
Boulette, Dale	11¾%	3 years	$ 42,500
Campbell, Edward	11¼%	2 months	5,500
Chartrand, Raymond J.	11¼%	3 years	13,500
Churchill Arctic Enterprises Ltd. (Bank guarantee)	2% Fee	1 year	100,000
Churchill Community Development Corporation	12½%	3 years	15,100
Davidson, George	11¼%	2 years	24,900
Dumont, Guy & Paul & Yvon	12½%	2 years	54,000
Dumont, Guy & Paul & Yvon	12½%	5 years	45,000
Fisher, Michael, Receiver for Lake Winnipegosis Development Corporation	Nil	2 months	300,000
Gold Trail Hotel Ltd.	11¾%	6 months	20,000
Greg & Ernie Contractors Ltd.	11%	10 years	160,000
Harper, Sampson J.	12%	3 years	7,000
Johnson, Alfred	11¾%	3 years	10,000
Knit Pit Limited	12%	3 years	6,000
K.S.M. Futures Ltd.	12¼%	7 years	118,000
Kutzner, Ralph	11%	6 months	10,500
Manigotagan Development Ltd. (Performance, labor and material bond)	$1,000 Fee	19 months	91,830
Maurice, Carol	12½%	5 years	25,000
Metik Enterprises Ltd.	11¾%	3 years	127,000
Mih-Ta Enterprises Inc.	11¼%	6 months	5,000
McKay, Peter A. & Barbara	11½%	3 years	14,000
McKay, Valentine & Thomas, George	11¾%	9 months	5,000
McLeod, John L.	12%	2 years	9,300
Natrasany, Delmar	11¾%	3 years	25,000
Northland Diesel & Industrial Ltd.	12%	4 years	183,000
North, Gilbert	11¾%	5 months	35,000
Pasquia Valley Services Ltd.	12¼%	8 years	63,000
Pikwitonei Loggers	11¾%	3 months	30,000
Sanderson, George W.	11¾%	3 years	38,000
Sanderson, Oliver	11¾%	2 years	16,500
Tawow Lodge Ltd.	11%	10 years	74,100
Wa-Wa-Taik Building Supplies Ltd.	11½%	10 years	291,865
Wicks, William A. & Diane L.	11¾%	10 years	80,000
Wood, Lorne	11¾%	3 years	35,000
			$2,080,595

Communities Economic Development Fund

A source of financing for business in remote and isolated communities in Manitoba.

What Kind Of Assistance Does the Fund Provide?

Assistance from the Fund is usually in the form of a term loan to help establish or expand businesses. The Fund also assists community development corporations.

Local ownership and control of the business applying for assistance will be considered of prime importance. The Fund will assess the effect of its assistance on the community and on working conditions and wage levels as well as ensure that continuing training and upgrading of skills of the workers involved is made available.

Types Of Business?

All types of small businesses ranging from manufacturing to service industries are eligible for assistance.

Assistance is determined on the basis of each applicant's requirements.

Geographical Location:

In consideration of applications for assistance to establish or expand small to medium-sized economic enterprises, the Fund will emphasize economic development of northern Manitoba.

Interest Rate

Current interest rates can be learned by enquiry to the Fund. The rate of interest at the time a loan is approved is fixed for the life of the loan.

What Security Is Required?

In determining the extent to which the loan or loans shall be secured, the Board shall take into consideration the nature and location of the fixed and other assets being financed.

What Conditions Must The Applicant Fulfill?

a) There must be assurance of repayment from the earnings of the business.

b) There must be evidence of the ability to operate the business successfully. Where, in the opinion of the Fund, an applicant requires management or other training, the Fund may insist that the applicant undertake a training programme before any loan commitment is made. To this end, the Fund may assist in applying for any available grants to cover these costs.

c) The applicant cannot obtain sufficient monies from other sources on reasonable terms.

d) The applicant provides equity, in cash or otherwise, to the business to be financed.

How Are Loans Repaid?

The Fund will set the rate of repayment to suit the need of individual borrowers.

Does The Fund Provide Technical And Other Assistance For Loan Applicants?

Yes, in accordance with the specific requirements of each applicant and business.

How Does The Fund Relate To Other Programmes?

The Fund may provide assistance to businesses eligible for Provincial and Federal programme assistance.

The Fund also participates in the "packaging" of projects in co-operation with other agencies and programmes.

How To Apply?

Requests for information should be addressed to the General Manager, 600 - 428 Portage Ave., Winnipeg.